STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-079

November 25, 1997

PUBLIC UTILITIES COMMISSION
Proposed Modification and
Exemption to Alternative Form
of Regulation (AFOR) for
New England Telephone and
Telegraph Company d/b/a NYNEX

ORDER DENYING PROPOSED EXEMPTION

WELCH, Chairman; HUNT and NUGENT, Commissioners

I. SUMMARY OF DECISION

In this Order we decide that we will not adopt our proposal, described in the Notice of this proceeding issued on March 20, 1997, to grant Bell Atlantic a credit toward the reduction in rates required in its 1997 annual AFOR filing, for revenue effects associated with migration of customers from its MTS and Netsaver services to Business Link.[1]

II. BACKGROUND

On September 3, 1996, New England Telephone and Telegraph Company (NET) d/b/a NYNEX (now d/b/a Bell Atlantic)[2] filed its first annual alternative form of regulation (AFOR) filing, as required under the AFOR Order issued in Docket No. 94-123. The AFOR Order requires Bell Atlantic annually to file proposed changes in rates that are designed to meet the overall change in the Price Regulation Index (PRI). The annual filing was assigned Docket No. 96-440.

The PRI reduction for the first AFOR year was 2.1%. That change required NYNEX to reduce its revenues (from the historic AFOR year) by $7.0 million. NYNEX filed rates that it claimed reduced rates by about $7.5 million. However, in that calculation, NYNEX included a *projected* revenue reduction that would result from a *migration* that NYNEX *projected* would occur by customers of two existing services (Netsaver and MTS) to a

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[1]A subsequent order will address the other issue described in the Notice: the proper method for recalculation each year of the allowed overall level of rates when the PRI has changed.

[2]Where historically appropriate, this Order refers to NET as NYNEX; otherwise, it refers to NET as Bell Atlantic.

repriced and renamed existing service (Business Link, formerly Netsaver Plus). For some Netsaver and MTS customers, repriced Netsaver Plus/Business Link would be less expensive than their current service. NYNEX claimed it was reasonable to expect that some of them would "migrate" to Business Link.

NYNEX projected a revenue reduction of $3.8 million from the claimed migration. Thus, of the proposed total reduction ($7.5 million), less than half ($3.7 million) would have been attributable to the primary effect that occurs when a set of prices is reduced: the reduction in revenue that is attributable to the price change alone, assuming no change in sales volumes (billing units). That "primary" effect is illustrated by this example: if a utility sells 1,000 units of Product A, but reduces the price from $1.00 to 80¢, the primary revenue effect is a reduction in revenue from $1000.00 to $800.00. For the 1996 AFOR filing, NYNEX calculated the primary effect that would result from the price reductions for each of its services in the manner described in the example, holding sales constant by using historic billing units. That methodology is the same one NYNEX used to establish the direct "primary" revenue effects of its proposed prices at the compliance stages of the *Pease* case and that it has used in prior cases under rate-of-return regulation (ROR).[3]

In the 1996 AFOR filing, we rejected NYNEX's proposal that it receive a credit for reduced revenues based on a projected migration. We based the ruling on the ground that the AFOR Order, by requiring NYNEX to use historic billing units in its calculation to determine whether the aggregate of revised prices "fits" under the revised PRI, precluded the use of projected billing units. The projected "migration" from one service to another has two components: the projection of a decline in the

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[3]Of the "primary" effect reductions totaling $3.7 million for all services, $2.3 million was attributable to Netsaver Plus customers who automatically became Business Link customers. Netsaver Plus customers by definition did not "migrate;" they remained customers of the same service, albeit repriced and renamed (as Business Link). The rate reduction to Netsaver Plus/Business Link was an overall reduction. NYNEX decreased the buy-in amount by a large amount (from former rates of $48.75 down to $10), but increased usage rates slightly (from 20¢ to 25¢ per minute). In order to avoid the possibility that a customer with very high calling volumes would pay a higher bill under the revised rates, NYNEX also implemented volume discounts. Thus, no existing Netsaver Plus customer would be worse off under the revised rates and most would be better off. NYNEX calculated the $2.3 million revenue reduction effect for existing, non-migrating, Netsaver Plus/Business Link customers using historic billing units.

billing units for one service and the projection of an increase in the billing units for another service. *New England Telephone Company d/b/a NYNEX, 1996 Annual Filing Under Alternative Form of Regulation*, Docket No. 96-440, Order (Part II) at 2-6 (March 6, 1997) (hereinafter "First Annual AFOR Filing Order" or "96-440 Order"). We also relied on the fact that the AFOR Order intended that annual AFOR filings be simple and quick and that litigation of issues over which there could be substantial debate should be avoided:

> We intend that annual AFOR filings be kept simple and should address calculational issues based on historic fact rather than speculative issues that are likely to result in extended litigation. The use of sales projections (whether of revenue decreases due to migration or revenue increases due to stimulation) and litigation over those projections have no place in an annual AFOR filing, or, more generally, under incentive regulation. The purpose of the NYNEX AFOR is to encourage NYNEX to provide services more efficiently through the incentive of greater profits that it gains as a result of that greater efficiency or better marketing.

First Annual Filing Order (Part II) at 6.

However, in the Part I Order we also stated that it is “our intent that NYNEX will retrospectively account in its next AFOR filing "for the actual migration and related [stimulation] effects for current Netsaver or undiscounted MTS customers who change to Business Link.” The Part 2 Order specifically mentioned that the proposal would require NYNEX to use bill comparisons for customers who change from one of the other two services to Business Link. Both the Part 1 and Part 2 Orders stated that we would propose a true-up mechanism for migration to Business Link in a new proceeding.

Following the Commission's ruling, NYNEX provided further rate reductions so it would meet the $7.0 million reduction requirement.

II. THE PROPOSAL IN THIS CASE

We issued a "Notice of Proposed Modifications and Exemption to AFOR Order" in this docket on March 20, 1997 to propose two revisions to the AFOR Order in Docket No. 94-123.[4] The Notice explained the Business Link migration effect proposal as follows:

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[4]The other proposed revision addressed the annual

> We do not propose that NYNEX should be allowed to project that migration. We propose, instead, for this particular occasion, that NYNEX shall retroactively calculate the actual migration effects for the second AFOR year (December 1, 1996 to November 30, 1997) and shall receive a credit for any net revenue reduction resulting from the migration from Netsaver and MTS to Business Link. The credit shall be applied in the filing for the third AFOR filing, due on September 1, 1997. Two effects may occur as a result of the price change. First, as NYNEX claims, there may be migration from the more expensive services (Netsaver and MTS) to the less-expensive service (Business Link), resulting in a revenue reduction. The second effect is stimulation of demand. Lower prices often lead to higher usage, which results in a revenue increase.
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> Migration and stimulation are related phenomena. A decrease in the price of a service relative to another service is likely to result in migration and revenue loss. Any decrease in price of a service (whether the prices of other services change or not) is likely to result in stimulation of demand for that service and an increase in revenue. Plainly, revenue effects of migration and stimulation may offset each other to some extent. It would not be logical or fair to allow a utility to take one of the phenomena into account in setting future rates without requiring it to take the other into account as well.

Public Utilities Commission, Investigation Into Regulatory Alternatives for the New England Telephone and Telegraph Company d/b/a NYNEX, Notice at 4-6 (March 20, 1997).

We proposed that NYNEX would track the bills of all customers who have migrated from Netsaver and MTS to Business Link. NYNEX would receive credit (toward any reduction required in December of 1997) equal to the aggregate of the differences in each of those migrating customers' bills. Comparisons (between

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recalculation of the PRI. Recently the Staff and Bell Atlantic filed a letter stating that they had agreed upon a methodology. We will address that methodology in a separate order.

the year prior to the price change and the year of the price change) of the dollar amounts of migrating customer's bills automatically measures the two separate, but related, revenue effects that are likely to occur as a result of the migration: that resulting from the difference in prices that customers previously paid (for Netsaver and MTS) and are presently paying (for Business Link) for the same quantity of service; and the actual stimulation of demand by migrating customers.

III. COMMENTS

The Notice requested persons to provide comments on the proposal to measure the actual revenue effect associated with migration from MTS and Netsaver to Business Link and to receive a credit for any such effect in its 1997 annual AFOR filing (hereinafter the "true-up proposal"). Bell Atlantic and the Office of the Public Advocate (OPA) filed comments. Bell Atlantic supported the portion of the proposal that would allow it to receive a credit for the revenue reductions associated with customers who migrated from MTS and Netsaver to Business Link, assuming no change in those customers' usage. Bell Atlantic objected, however, to our proposal to include stimulation effects, arguing, as the Notice itself recognized, that the AFOR Order intended that it retain the benefits of stimulation.

The OPA commented that the proposal was "appealing because it would presumably result in an accurate accounting of actual revenue losses resulting from the migration . . . and a potentially offsetting accurate accounting of associated stimulation." The OPA also suggested, however, that the proposed adjustment might constitute unlawful retroactive ratemaking.[5]

IV. DISCUSSION

We have reviewed the comments filed by Bell Atlantic and the OPA and the exceptions to the Examiner's Report filed by Bell Atlantic. We conclude that the proposed true-up mechanism is

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[5]Because we will not adopt our proposal, it is not necessary to reach this issue. We note, however, that there are similarities between the adjustment mechanism we proposed in this case and the adjustment mechanism revenue shortfalls and over-recoveries for basic service calling area rates contained in Chapter 204 of our rules. In *New England Telephone and Telegraph Company d/b/a NYNEX, Request for Recovery of BSCA Shortfall Through an Increase in Basic Rates*, Docket No. 96-753, we ruled, over objections of the Public Advocate, that the BSCA recovery mechanism did not constitute unlawful retroactive ratemaking. The Public Advocate has appealed that decision.

inconsistent with the purposes of incentive regulation and with the AFOR we have adopted for NYNEX-Bell Atlantic. We base that conclusion on a number of considerations, including Bell Atlantic's argument that, under the AFOR Order, it should retain any stimulation that occurs during an AFOR year.

As noted above, Bell Atlantic in its comments specifically objected to the inclusion of measured stimulation in the Business Link true-up mechanism, on the ground that the AFOR Order intends that it retain the benefits of stimulation. The method that must be used in an annual AFOR filing to calculate the change in overall rates (i.e., revenues) that is necessary to meet a change in the PRI clearly allows Bell Atlantic to keep the effects of stimulation (or suffer the effect of a decrease in demand).[6]

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[6]In each annual AFOR filing, NYNEX must demonstrate to the Commission that the aggregate prices for core services does not exceed the adjusted Price Regulatory Index (PRI). To do so, NYNEX must multiply "proposed rates" for core services by "the prior year's historical billing determinants." AFOR Order at 38. That calculation is compared against a similar calculation that also uses the prior year's billing units, multiplied by the rates that were in effect at the beginning of the AFOR year. The difference between the two calculations establishes the amount of revenue (aggregated rates) that is permitted under the revised PRI.

The following example shows that the effects of this mechanism mean that NYNEX keeps any growth in revenues that occurs during the AFOR year. Assume that NYNEX's total sales in the year prior to the start of the AFOR are $1 million and, due to factors such as price changes or marketing, the sales at the end of Year One are $1.1 million. For simplicity, also assume that there is no change to the PRI at the end of Year One (e.g., inflation exactly offsets the productivity factor). Under the method used to calculate its new overall rate level, NYNEX "keeps" the $100,000. The historic billing units for the "prior year" (i.e., for sales during the first AFOR year), multiplied by historic prices, equals $1.1 million. To determine whether proposed prices do not exceed the new (but changed) PRI, those same billing units multiplied by the new proposed prices must also equal $1.1 million. The PRI remains at 100.0 but now is set to equal the *year-end* revenue level of $1.1 million. Accordingly, NYNEX retains the stimulated revenue ($100,000). The contrary rule (that NYNEX would have to use the billing units for the year prior to the AFOR) would require NYNEX to *reduce* rates, effectively returning the stimulation to ratepayers, even though there had been no change in the PRI.

The Commission in the Notice simply demonstrated that NYNEX in fact retains stimulation or repression by using the preceding

Bell Atlantic's argument regarding stimulation is too narrowly focused. There are at least two indications that the AFOR Order intends that Bell Atlantic should bear all of the risks (both positive and negative) associated with price changes. First, as we ruled in the First Annual AFOR Filing Order, Docket No. 96-440, the AFOR Order intended that the method used in annual AFOR filings be the same as that used at the compliance stages of "traditional" rate-of-return (ROR) rate cases, including the *Pease* case, Docket No. 94-254, that served as the starting point for the AFOR.[7]

The use of the same methodology under both ROR and AFOR regulation suggests continuity, not discontinuity, under incentive regulation. It also suggests that Bell Atlantic should retain essentially the same set of risks and potential benefits when prices change under the AFOR as it did under ROR regulation. These include both the "primary" effect described in Part I above, as well as "secondary" effects such as stimulation, repression, and migration. Under the AFOR, as under traditional regulation, Bell Atlantic bears all the "primary" and "secondary" risks, downside and upside, that are associated with changes in rates.

Bell Atlantic in its exceptions argued that the Examiner's Report placed too much weight on the similarity of the methods used to calculate or recalculate rates at the end of a rate case or an AFOR period and overlooked a fundamental difference between ROR and an incentive regulation. The difference, according to Bell Atlantic, is that under the AFOR, it "must bear the risk of demand changes with no opportunity to file for rate relief for the entire 5-year duration of the plan."

Bell Atlantic has overstated the difference. Under both ROR and incentive regulation, incentives exist in large part because of the phenomenon of "regulatory lag." A major criticism of ROR regulation is that its incentives are too weak. Under an AFOR, regulatory lag is increased with the effect that incentives are enhanced.

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example. NYNEX's argument in its comments that the AFOR Order intends that it retain revenue resulting from stimulation is somewhat more far-reaching, but by no means incompatible with the description in the Notice. NYNEX argued that the AFOR Order intends that if the Company's actual productivity (which it argues the AFOR Order defines as both cost savings and revenue growth) exceeds the PRI change, NYNEX keeps the additional revenues.

[7]An example of such a calculation is show in footnote 5.

That difference between ROR and incentive regulation does not support Bell Atlantic's argument. The suggestion that it is necessary under a system of incentive regulation to grant Bell Atlantic a credit for migration revenue effects, because it cannot seek "rate relief" more frequently than every five years, runs counter to the proposition that incentives should be stronger under an AFOR than under ROR regulation. Bell Atlantic's exceptions also argue that the productivity factor in the AFOR PRI formula "was very plainly intended to measure the expected demand stimulation the Company might attain" and therefore takes into account "secondary [revenue] effects." According to Bell Atlantic, it follows that a credit for migration revenue effects is appropriate to fulfill the assumption it claims is part of the productivity factor. To support its argument, Bell Atlantic relies on the statement in the AFOR Order that the productivity factor takes into account "the additional revenues that NYNEX's *spare capacity and general network upgrades* will make possible through the offering of new services at fairly low cost." (emphasis added) Bell Atlantic's argument is incorrect. The productivity factor (and the PRI) do not include any assumption about revenue growth beyond the consideration that is stated.

The AFOR Order contains a further significant indication that the granting of a credit for revenue decreases due to migration is not consistent with the philosophy underlying the AFOR. As Bell Atlantic argued, the AFOR Order clearly intends that Bell Atlantic should retain increases due to stimulation. The policy that a utility should retain the benefits of stimulation (or suffer the effects of reduced demand) is fundamental to any rational system of incentive or ROR regulation. If a utility was required to forego the benefits of stimulated demand, the incentive for it to market its products aggressively would be greatly reduced.

The "true-up" proposal would have taken away the stimulation by MTS and Netsaver customers who migrated to Business Link. It would have done so because that stimulation is caused by the same pricing event that results in migration, and if credit for one of the revenue effects is given, the other should also be taken into account. Bell Atlantic's argument therefore leads us to question whether it would be appropriate, under incentive regulation, to allow a credit for the negative revenue effects that occur as a result of migration, if it is also necessary to violate the incentive regulation principle that a utility should retain the benefits of stimulation.

Bell Atlantic apparently disputes the logical relationship between the two revenue effects, arguing that it should receive a credit toward annual required reductions for the negative revenue effect associated with migration, but should also retain the positive stimulation revenue effects associated with the same migration.[8] NYNEX bases its argument on that fact that stimulation is not the "opposite" of migration, but is instead the opposite of repression. (Presumably, the actual opposite of "migration" is migration in the opposite direction.) Bell Atlantic's argument is too simplistic. Stimulation (or repression) is a change in demand for one service or perhaps several services collectively. Migration is the movement from one service to another and necessarily involves a stimulation in demand for one of these services and a repression of the demand for another. Thus, while stimulation and repression are not "opposites" of migration, they are both effects of migration and are logically related in that the same event (a change in the relative price levels of cross-elastic services) might cause both. In fashioning our proposal we did not focus on demand changes per se, but on the two revenue effects that are likely to occur as a result of NYNEX's decision to reduce the price of one service by a relatively greater amount than two others. First, some customers will migrate from the services that have become relatively more expensive to the service that has become relatively cheaper, resulting in a negative revenue effect. Second, those same customers may purchase more service because of the lower prices, resulting in a positive revenue effect. Both of these revenue effects occur as a result of the same pricing event. It is the revenue effects that are "opposite." One is negative; the other positive.

We remain convinced that the negative and positive (stimulation) effects related to migration are logically linked, and that it would not be fair to allow Bell Atlantic to receive a credit without an offset for the positive effect. However, if Bell Atlantic is correct that the AFOR intends that it retain the benefits of stimulation, it follows that granting it a credit for the negative revenue effects associated with migration is also contrary to at least the spirit of the AFOR Order and to incentive regulation principles generally, particularly since such credits have never been allowed during the compliance stages of ROR regulation.

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[8]Bell Atlantic also objected that stimulation of demand can occur for a variety of reasons and not solely in response to a price reduction. Bell Atlantic fails to note that the same is true of migration. Because the "true-up" proposal would be limited in its operation to those customers who switched from the two cross-elastic services to Business Link after December 1, 1996, it would minimize the impact of both migration and stimulation revenue effects that are due to reasons other than the price change.

The true-up proposal would take away what the AFOR Order otherwise intends Bell Atlantic should keep (revenue effects from stimulation). The fact that the AFOR clearly intends that Bell Atlantic should retain one effect (stimulated revenues) suggests that it also intended that Bell Atlantic should "retain" the other logically related effect (revenue reductions from migration) and, more generally, any "secondary" revenue effects (whether positive or negative) that occur as a result of price changes, just as it must suffer or enjoy "primary" revenue effects.[9]

Under the AFOR pricing rules, Bell Atlantic is free to make a variety of pricing decisions, including a decision to reduce prices disproportionally. Changing prices disproportionally creates a risk that customers will migrate from one service to another. There does not appear to be any reason why a utility should not bear all of the risks and reap all the benefits of its conscious choice to reduce some rates more than others. For example, in choosing to place most of the required rate reductions on toll services rather than on basic service, NYNEX may well have believed that it would realize greater stimulation of demand, under the hypothesis that demand for toll services is more price-elastic than demand for basic services. Within the toll category, NYNEX chose to place a significant portion of the required reductions on Netsaver Plus/Business Link and not to reduce the prices of Netsaver and MTS. NYNEX itself created the risk of migration by creating the relative disparity between Netsaver Plus/Business Link and the other two cross-elastic services. NYNEX could have avoided the risks of migration by reducing its toll rates by an equal percentage.

We trust that NYNEX made the best business decision for itself. For example, by creating the downside risk associated with migration (lower revenues from former Netsaver and MTS customers who have migrated), NYNEX may have avoided a larger risk, i.e., "out-migration" by Netsaver Plus/Business Link customers to competing carriers. It is clear from Bell Atlantic's comments that it is very much aware of this risk. At page 10, n. 10, it states: "If the Company does not respond to market price signals, the demand 'migrates' right off its network to

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[9]Bell Atlantic's argument about "opposites" does illuminate another characteristic of stimulation: it may occur as the result of any price decrease; it is not exclusively associated with a change in relative price levels that might cause migration from one service to another. Our proposal would have created two classes of stimulation: stimulation that is associated with the migration from MTS and Netsaver to Business Link, which Bell Atlantic would not be allowed to keep because it is an offset to the negative revenue effect resulting from migration; and all other stimulation, which Bell Atlantic would retain.

alternative toll providers."[10] NYNEX rationally also might have considered the potential for stimulation of traffic by Netsaver and MTS customers who might migrate to Business Link as an upside risk and might reasonably have considered that effect in a determination that reducing the price of Netsaver Plus/Business Link by a greater amount than other services would result in less net revenue loss than reducing rates across the board.

The true-up proposal would fully shield Bell Atlantic from any risk associated with the net migration effect (changes in the bills of those customers) that may result from its decision to reduce the price of Netsaver Plus/Business Link relative to two other cross-elastic services. It would pay back to Bell Atlantic, in the form of a credit against the following year's required reduction, every dollar that it lost due to the net migration effect. Such compensation would be a shield against risk that is inappropriate under incentive regulation.

If NYNEX was correct in its risk assessment of its Business Link pricing decision, NYNEX/Bell Atlantic reaped the benefit of retaining the customers who might have departed. Under incentive regulation, Bell Atlantic should assume both the downside and upside risks of pricing decisions. Granting a "credit" toward the following year's required reduction under the new PRI for migration eliminates the downside risk created by its pricing decision by fully compensating Bell Atlantic for any actual lost revenues due to that migration. In addition, offsetting the credit with stimulated revenues by those same migrators, while logically appropriate if the first credit is allowed, negates one of the fundamental incentives under both ROR and incentive regulation, at least for the services in question.

[10]The Notice of this proceeding suggested that absent the true-up mechanism NYNEX might have had a disincentive to market Business Link aggressively because less marketing might result in less revenue loss due to migration. Bell Atlantic's statement suggests that it had ample existing incentive to market the service aggressively.

IV. ADDITIONAL DESIGN AND IMPLEMENTATION CONCERNS

In addition to the concerns stated above, we anticipate that there may be further theoretical problems in designing a true-up or credit mechanism, were we inclined to adopt one, and practical difficulties in implementing one. For the reasons explained above, we remain convinced that any credit mechanism should give recognition to stimulation of demand that might accompany any price decrease that also result in migration, but there may be a range of mechanisms, including the one proposed in our Notice, that provides a fair and accurate means of determining the extent of migration.

At one end of the spectrum, we could simply measure the total change in revenue for all three services (Network Plus/Business Link, Netsaver and MTS). By that means, we would capture all changes in demand for the three services that Bell Atlantic claims are likely to have migratory movements.[11] That approach, however, would seem to represent the farthest deviation from principles of incentive ratemaking. At the other end of the spectrum is the method that has been used under ROR regulation, that the AFOR Order anticipated would be used under the AFOR, and that advocacy staff recommended in the First AFOR Filing proceeding (Docket No. 96-440). This method recognizes only the "primary" revenue effects of price changes, holding sales for all services constant. For the reasons stated above, we find that it establishes the strongest incentives for Bell Atlantic to maximize revenues or avoid revenue loss and is otherwise most consistent with incentive regulation principles.

We are also aware that our proposal (or alternatives) might create practical problems in implementation. Bell Atlantic filed its 1997 AFOR filing on October 3, in Docket No. 97-667. It proposed a credit for Business Link migration of about $1.4 million. Bell Atlantic did not provide an aggregate calculation based on bill comparisons of migrating customers. Instead, it provided calculations based on average revenue per minute. More problematical is the "before" calculation (revenue from customers before they migrated). That calculation uses the rates from the services (MTS and Netsaver) that the customers migrated from, but uses *1997* billing units, thus providing a calculation of the revenues that Bell Atlantic claims those customers "would have provided" if they had not switched to Business Link. The proposal would have required Bell Atlantic to provide the actual

[11] As noted above, Bell Atlantic objected that not all stimulation of demand is caused by price changes. The alternative method discussed here would capture all stimulation, repression and migration, whatever the causes, but would do so in a balanced manner.

1996 revenues for the migrating customers. Bell Atlantic appears to have joined two incompatible factual circumstances: customers who had not yet changed services, but who nevertheless made calls at a post-migration level. This calculation appears to produce an amount that does not represent any realistic scenario and that eliminates entirely all revenue attributable to stimulation.[12]

Bell Atlantic has also included a claimed loss in revenues from a number of customers who migrated from MTS and Netsaver to Netsaver Plus *prior to* the price change to Netsaver Plus/Business Link that it claimed would cause migration. Bell Atlantic provided no explanation for the inclusion of these customers in its calculation. The need for Bell Atlantic to provide an explanation suggests less of the simplicity we desire in an annual AFOR filing. Finally, Bell Atlantic indicates in the filing that it will be necessary to request credit for some of the 1997 AFOR year migration in its 1998 filing, but provides no indication of how many months from 1997 have been included in this filing.

The problems that we raise about Bell Atlantic's 1997 AFOR filing suggest that administering the credit proposal would not be simple, and might require litigation at least as complex as the litigation we believed might be necessary to address NYNEX's original proposal (in the 1996 filing) to project migration.

V. CONCLUSION

For all of the reasons stated above, we decide that we will not adopt the proposal to provide a credit to Bell Atlantic for migration from MTS and Netsaver to Netsaver Plus/Business Link that was described in our Notice issued on March 20, 1997.

Accordingly, we

O R D E R

New England Telephone and Telegraph Company d/b/a Bell Atlantic to revise its filing in *New England Telephone and Telegraph Company d/b/a Bell Atlantic, 1997 Annual AFOR Filing*, Docket No. 97-667, to remove any proposed adjustments designed to account for revenue effects associated with customer migration from Netsaver and MTS services to Business Link service.

Dated at Augusta, Maine this 25th day of November, 1997.

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[12] In its exceptions, Bell Atlantic suggested an alternative that might have eliminated the perceived problem.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Hunt